

How Land Ownership is Divided in Azerbaijan?

written by Rovshan Aghayev

This [article](#), published three years ago on the Baku Research Institute website, elaborated on the problem of measuring social inequality in Azerbaijan. Greater emphasis was placed on the fact that the Gini index, or Gini coefficient, which measures inequality globally and is widely used by governments, as well as international organizations, cannot be calculated for Azerbaijan. With the inflow of big oil money since 2005, huge public spending and a lack of public and tight parliamentary control over the efficient and transparent spending of public finances have brought about cases of large-scale corruption. Undoubtedly, uncontrolled spending, the monopolization of the political system and all economic resources by a small group has made this group's enrichment inevitable, while at the same time creating rising social inequality.

Apart from corruption, the country lacks national wealth statistics. According to the [Methodology](#) for the National Accounts Main Aggregates Database, developed jointly by experts from a number of important international organizations, including the UN, one of the main indicators used in the database is provided by a given country's national wealth database. Such a database should collect detailed statistics on the volume of both financial and non-financial assets of all institutional units in the economy (households, businesses, government agencies, financial institutions). If the official statistics formed the national wealth statistics, it would not be a problem to make calculations on the concentration of wealth. Unfortunately, the national wealth statistics in Azerbaijan are incomplete and the wealth account does not exist at all. Although the database of the property and tax system, as well as banking and financial institutions

can provide sufficient information to compile these wealth statistics, the creation of such statistics requires political will. Consider the Law on Approval of Rules for Submission of Financial Information by Officials. Azerbaijani officials have failed to submit income and property declarations, despite the [law](#) having been adopted 17 years ago.

In the present situation, there are various indicators available in Azerbaijan to measure the scale of wealth inequality in a random manner, in some cases available from various sources through unofficial channels. For example, some time ago, a government official [stated](#) that 44% of all retail deposits with banks belong to only 1% of all savings accounts. Can you imagine the scale of wealth inequality indicated by this statistic alone?

Another indicator that allows us to sort out the real picture of wealthy inequality in the country is the banking and financial sector's profit. For example, according to the consolidated banking [statistics](#) prepared by the Azerbaijan Banks Association (ABA), one business center accounts for more than 50% of the net profit recorded in the country's banking sector. Or, according to the Central Bank [statistics](#) on the country's insurance market, one business network has continued to gain roughly 75% of the total profit generated in this market (the difference between insurance premiums and pay-outs).

Finally, another 2020 statistical datapoint that we can obtain from official bodies, but in an unofficial form, is related to the distribution of subsidized agricultural (arable) lands. Let's consider that Azerbaijan meets the standards of an agrarian country in terms of the structure of employment and the source of income for the majority of the population. According to official [statistics](#), more than 36% of the employed population (1.8 million able-bodied people) work in agriculture. In this regard, the distribution of agricultural land to farmers, which is the main means of production in the

sector employing hundred thousands of households, is extremely important. As inequalities in land distribution rise, the scale of inequality in the distribution of the small revenues generated by the agricultural sector ([about 5%](#) of the country's national revenues comes from the agricultural sector) also increases. It is clear that there is a similar gap between the income of the 10% of families holding the least land – one hectare per capita – and the largest 10% of landowners who own thousands of hectares of land.

With the available statistical base, the table below shows the distribution of subsidized lands by decile groups (a division of subsidized land users into 10 equal parts):

№	Distribution of land users by decil groups	Number of farmers receiving subsidies, people	Volume of subsidized lands, hectares	Share of land plots for each decile group in total subsidized lands, %
1.	10%	38822	17420,2	1,3
2.	10%	38822	31006,6	2,4
3.	10%	38822	41661,8	3,2
4.	10%	38822	54167,2	4,2
5.	10%	38822	67751,7	5,2
6.	10%	38822	82756,7	6,4
7.	10%	38822	102323,6	7,9
8.	10%	38822	128633,2	9,9
9.	10%	38822	178154,2	13,7
10.	10%	38822	595607,0	45,8
Total 100%		388 220	1 299 483	100%

According to the data, only 1,3% of all subsidized land funds were at the disposal of the 10% of land users with the least land plots, and 45,8% of the land fund were at the disposal of

10% of landowners with the most land plots.

When sorted into quintiles, the disparity is even more conspicuous. 3,7% of all subsidized lands are at the disposal of the 20% of land users with the least land, while 59,2% of the land fund is at the disposal of the 20% of land users with the highest share of land.

If the Gini coefficient is calculated based only on the concentration of arable land, the level of this indicator, which measures the inequality of wealth and income, is 0,56. This is considered an extremely high level of inequality. The Gini coefficient is calculated with the help of the *Lorenz curve* developed by the American economist Max Otto Lorenz and ranges from 0 to 1, with 0 representing perfect equality and 1 representing perfect inequality. The larger the income gap between the richest 20% and the poorest 20%, the closer the Gini coefficient is to 1, reflecting the high level of income inequality in the country and the unfair distribution of national income. When the level of the indicator exceeds 0,4, it is already considered a critical threshold for wealth and income inequality. Based on the extreme inequality in the distribution of property in a low-profit sector such as agriculture, imagine how high inequality must be in sectors with huge profits, such as tourism, the processing industry and the financial sector, to name just a few.